



# Understanding Japan's Educational Market

*Implications of Japan's unique job hunt process and its effects on Study Abroad numbers*

Drafted by Intern Misawo Yanagisawa

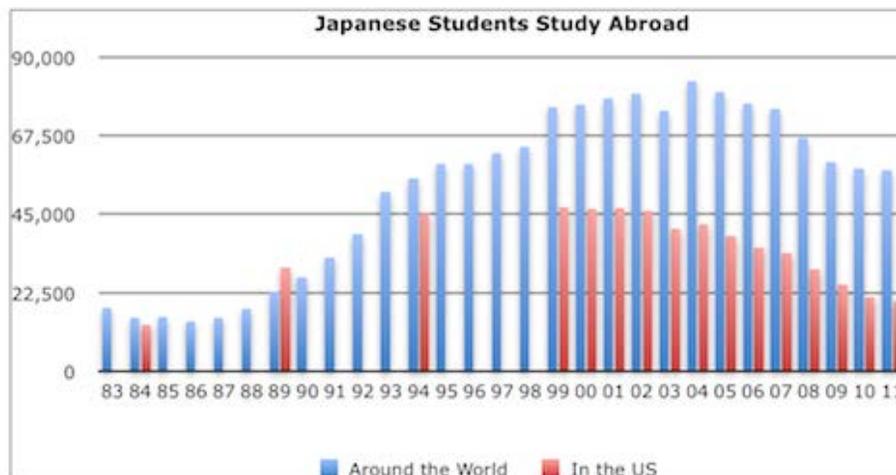
Edited by Commercial Assistant Kazuko Tsurumachi

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## Are Japanese Still Studying Abroad?

In 1997, approximately 47,000 Japanese studied at U.S. institutions of higher education, making Japan the top "sending country" of international students to the United States. Over the last 18 years, however, that number has declined by nearly 60 percent to just under 20,000, and Japan has slipped in the rankings to become the seventh sending country, far behind regional neighbors like China and the Republic of Korea. To address this issue, President Obama and Prime Minister Abe during their April 2014 summit in Tokyo endorsed a goal to double the number of bilateral exchanges between both countries by 2020. The Japanese government has launched major initiatives and scholarships to promote the internationalization of its universities and their students. Recent reports indicate an increased demand among Japanese companies to hire students with international experience. But challenges remain for Japanese students interested in obtaining international experience prior to graduation, in part because of a national hiring system rooted in tradition. That system has shown some signs of accommodating the government's new focus on internationalizing young Japanese as detailed below.

The number of Japanese students to the United States peaked in 1997 at around 47,000. In 2011, the number had nearly decreased by half. Japanese students seem to be selecting Asian destinations for studying abroad due to cost advantages and geographic proximity. English programs in the Philippines have become a cheaper and closer option in recent years. Trends also indicate a decrease in students participating in long-term study abroad programs.



(Source)

- Ministry of Education, Culture, Sports, Science and Technology-Japan
- IIE, Open Doors
- OECD, Education at a Glance
- UNESCO Institute for Statistics
- Ministry of Education of the People's Republic of China
- Ministry of Education of Taiwan

Despite Government support, fewer students are going to the United States, and the main reason is not just because of cost. A look at Japan's job hunting system provides answers that help explain Japan's unique system, and how its effects on studying abroad. Without understanding this system and building programs around it, attracting Japanese students will be very challenging.

## Introduction

Job hunting in Japan is unique in comparison to other countries with the exception of South Korea. Lifetime employment is still normal in Japan, and few change jobs throughout their career. Approximately 94.4 % of students joined the workforce right out of college in 2014. It is still uncommon to change jobs, and only 5% of the total working population changes jobs on a yearly basis. This essentially means that a half of the workforce joins a company upon college graduation, and stays with the same company until retirement. Naturally, this puts students in job hunting mode while in college, a unique situation where twenty year olds commit to a company for life. As the system is structured so that one can only join a company as a coveted new graduate from college, or as a high ranking manager towards the end of one's career, the one major "job hunt" students engage in falls during their junior and senior years of college. All new hires are expected to start at companies in April, and are trained together to be lifetime employees.

How the job hunting process works is quite different than in the United States. Job hunting lasts at least 5 months, or until one secures a job offer. It is not uncommon for students to apply to 30 companies in order to secure one job offer. The first stage of the process is tied to the university you attend. Should one be from a famous university, alumni will come to recruit on campus, and offer tips. One can also expect with reasonable assumption that acceptance precedents will continue, and that he/she will have a greater chance of getting an offer from a company filled with alumni.

The second stage is where all students (even ones from not so famous universities) enter online applications and take online personality, English, and subject based tests to determine employment qualifications. Should one pass such tests that are uniquely rendered per company, he/she will go through a series of interviews until finally being given a tentative job offer.

Given that students must apply to 30 companies to be certain of a job offer, it is easy to see the frenzy this system breeds. Since one is only eligible for the new hire category right after graduation, no job offer means falling off the standard employment track, or committing to another year as a college student in order to preserve new hire status, and go through the job hunting process again.

Looking for employment as a non-new graduate is hard in a society where 94.4 percent of college students join the workforce immediately after college, leaving those without job offers doing temporary or contract work, or even taking refuge in graduate school.<sup>1</sup>

Confronted by such harsh realities, Japanese students have no choice but to prioritize job hunting before academics. This is compounded by the fact that companies schedule interviews and tests during school hours. When faced with the prospect of being jobless, missing class does not become something students think twice about. Japanese professors are also overly sympathetic to this situation, often excusing students and modifying deadlines. It is a known fact that course loads for juniors and seniors are lax to accommodate the job hunt process. However, this also means that the last two years of college are mostly spent job hunting, and not necessarily on academics. The fact that Japanese

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<sup>1</sup> The Ministry of Health, Labor and Welfare "Research of the course of graduates"  
<http://www.mhlw.go.jp/stf/houdou/0000044078.html>

companies do not use majors or even GPAs as criterion in hiring also contributes to a lack of emphasis on academics.

### **The conception of life time employment and the difficulty in changing jobs**

In Japan, seniority comes with age and experience. The traditional lifetime employment system promoted dedicated employees not necessarily on the basis of merit, but by seniority. One could expect to become Team leader, and then Director in a scheduled fashion regardless of performance. This system thrived with a dedicated workforce eager to have secure employment and predictable salary raises and promotions. Such a system had a need for fresh young graduates that could be trained and molded into company colors.

The result of this system has been the continued preference for new hires, and the continued mass hiring of college graduates for generalist positions. This also makes it extremely difficult to change jobs as one is trained to be a specialist, and because one is not marketable at age 35 as a generalist. The system does not have a way to take in new talent or train such talent. Therefore, job changes tend to come towards the end of one's career in the higher management level. After age 35, the rate of individuals changing jobs is at a mere 2%.

For those under 34 years, only 8.3% of men in the 20 to 24 year range changed jobs, 7.3% in the 25 to 29 year range, and 5.6% in the 30 to 34 year range changed jobs in 2013. On the other hand, the rate of women in the 20 to 24 year category that changed jobs was almost 10.0%. The rate of women in the 25 to 29 year category that changed jobs was 10.5%. The rate of women in the 30 to 34 year category that changed jobs was 6.8%. Such low figures demonstrate Japan's market trends regarding job hunting and job changing.<sup>2</sup>

### **The Job Hunt Process**

The job hunt process starts in December of one's junior year. Students start by going to so-called briefing sessions sponsored by companies. Companies put their best face forward to get students interested in applying. The typical student goes to almost 20 such sessions.

For lucky students at prestigious universities, there is the option of "OB Houmon" where one can have informational interviews with alumni at various companies. Such informational interviews happen before recruitment even starts and alumni give tips on how to pass the initial screenings for the application process. For some universities, alumni will host special information sessions with detailed tips on filling out application materials, and for doing well on interviews. Not all students have such an advantage based on where they attend college, and how many alumni are in the companies they are interested in applying to.

Once one decides where to apply, he/she is expected to complete an online entry sheet. This entry sheet serves as an application for employment that includes basic information about the student. Should the company decide to pass the student to the next round, an online test known as the SPI is administered. Produced by Recruit Career Co., Ltd (<http://www.recruitcareer.co.jp/>) the SPI is a test used to evaluate student academic ability in a systematic manner. The test has Japanese, math, aptitude tests, and other sections based on company preferences. However, as the test is taken online, there is no way to verify who actually took the test, and students have been known to seek assistance among friends and family members for certain parts of the test to better their scores. The current

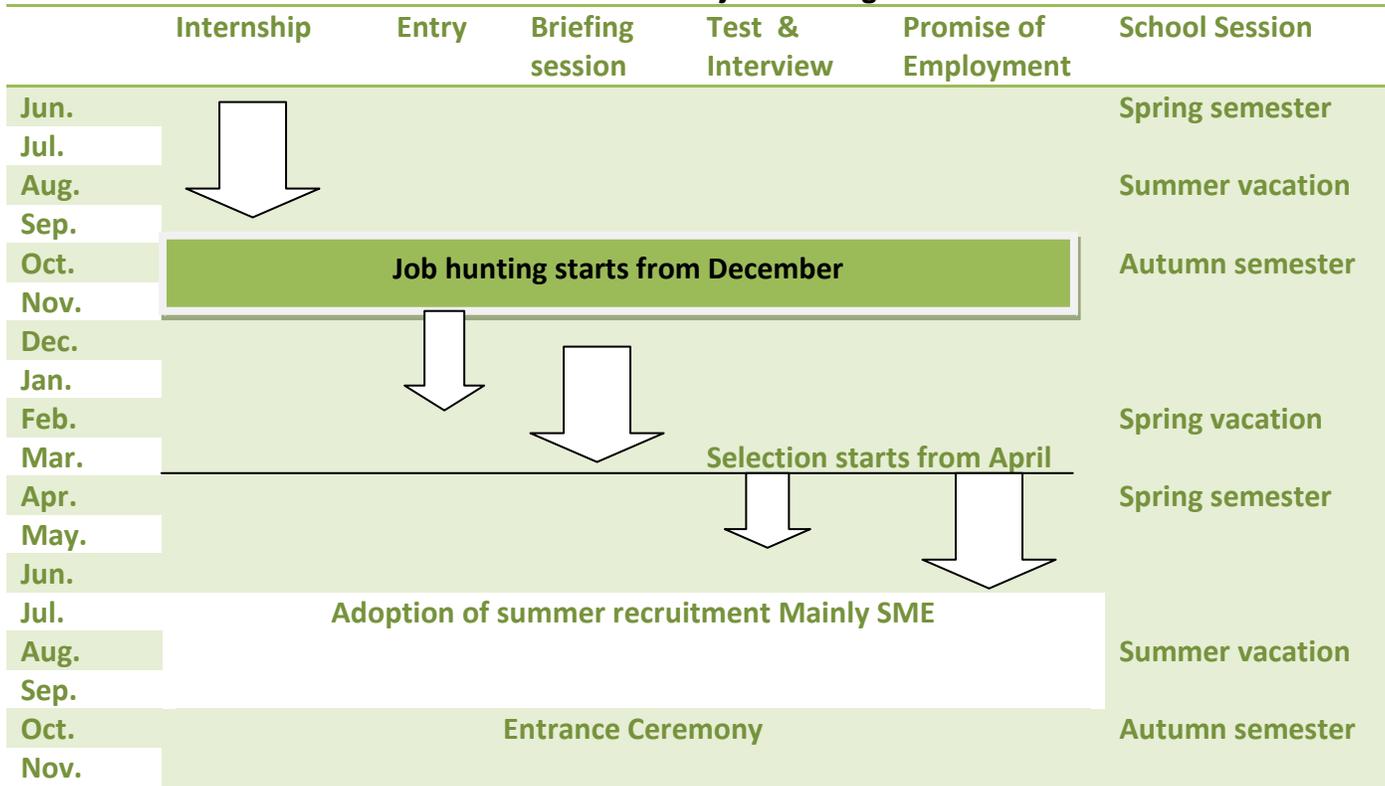
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<sup>2</sup> The Ministry of Health, Labor and Welfare "Kouseihakusyo"  
<http://www.mhlw.go.jp/toukei/itiran/roudou/koyou/doukou/14-1/kekka.html>

consensus seems to be that those who have the ability to secure assistance in order to get high scores show social skills and strategic planning.

Upon passing the SPI, students are invited to interview for companies in August. Typically there are three interviews before one is selected for a permanent position. Some companies add subject tests or case studies, and some companies have stress test interviews or group interviews. Lucky students walk away with a job offer in April while others continue until they secure a job.

### Schedule of 2014 job hunting



Source: Mynavi <http://job.mynavi.jp/conts/2016/schedule/>

### The Current Status of the Japanese Job Market

Lucky Japanese students get job offers in April, while about half of the job hunting population receives final offers in June. About 68% of students have job offers by October. The pressure is amplified for such students as they must struggle to get offers by April. Compared to previous years, the economy was in good shape for 2014 and there were extended recruitment periods.<sup>3</sup>

### Types of Employment Categories in Japan

In Japan, there are three categories of employment. The first is the most common and coveted, and is full time employee status with benefits. Only new hires from college or high level managers changing jobs usually can secure this employment category. The second category would a

<sup>3</sup> In 2013, the newly graduating class had a 64.3% job offer rate by October, 76.6% in December, 82.9% in February, and 94.4% in April.

Source: The Ministry of Health, Labor and Welfare <http://www.mhlw.go.jp/stf/houdou/0000036530.html>

temporary/contract employee hired directly by a company. The third category, that of the dispatch employee, has the lowest benefits and salary, where workers are managed by a temporary placement agency.

The full time employee category promises a steadily increasing salary and lifetime employment. In a country where there are not many alternative employment category options, this is the naturally preferred category. Those who do not have full time permanent employment fall into the temporary worker and dispatch worker categories. This could include a range of individuals such as those who returned from working or studying abroad, women reentering the workforce, those without college education, and those who decided that they were willing to look for opportunities outside traditional employment categories. For a double income family, non-bread winners and caretakers may prefer temporary employment with shorter hours. However, many in this category do desire to transition into permanent employees, and this is not made easy by the system in place. Non-permanent employees are at about 20 million, which is about 37.9% of the workforce. Ironically, almost 20% of this group does not seek permanent employee status, but a solid 80% does wish to transition if possible.<sup>4</sup>

### **The Job Hunt Cycle**

Most companies observe the agreement mandated by the Japan Business Federation which indicates that companies are only allowed to start advertising recruitment in December of junior year, and start recruitment activities in April. However, from 2015, the recruitment timeframe was changed by the Japan Business Federation. Companies now will start advertising from March of senior year, and start official recruitment activities from August. The Japan Business Federation changed the timeframe with the purpose of allowing students to concentrate on academics.

However, public opinion has indicated that this change has not achieved the desired goal, and that it actually has the opposite effect of making the job-hunting period even longer. Companies end up jumping ahead to pre-select qualified candidates by offering internships. Students apply for internships in their sophomore or junior years, and companies give students tentative job offers. In turn, as such internships mean that students can enjoy the last years of college with a job offer in hand, the job hunting process is merely converted into a competitive internship search process, taking away equal if not more time from academics at an even earlier stage.

The situation is made more difficult when non-Federation members disregard the agreement and commence recruitment activities ahead of Federation members. Foreign companies have been often criticized for not playing by the rules.

### **The Interview**

Academic culture in Japan favors memorization as opposed to critical thinking. Students are not expected to ask questions in class. Japanese culture also encourages homogeneity, and the education system has struggled to accommodate prodigies and special needs students alike. Being different is not something one actively works to achieve, and the system does not yet have the capacity to encourage individuality or creativity. This is coupled with a culture of humility. All such factors make self-reflection and interviewing a challenge for the average Japanese student. For the individual who has not had much opportunity to make individual choices, choosing a lifetime career is daunting. Furthermore, science majors are likely to go into industries which are relevant to

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<sup>4</sup> The Ministry of Health, Labor and Welfare, "the status quo and the problem of non-regular employment"  
<http://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000046231.html>

their majors, but one's major has little relevance to one's employment choice for humanities or social science majors. This means that literature majors can still aspire for investment banking just as law majors can also go into system engineering. The choices are endless, and students struggle to differentiate companies and careers while figuring out what would be a best fit. Self expression during an interview is also a challenge as Japanese find it hard to emphasize their past achievements and skills, not wanting to appear as though they are bragging. This context can make a 30-60 minute interview extremely long and challenging.

### **A Case Study of One Student**

This report would like to follow the story of student A, who had above average academic performance and was part of a school club that was well received by Japanese companies. As Japanese companies tend to look at extracurricular activities to evaluate teamwork and leadership skills, this student was viewed in a favorable light. He also was from one of Japan's top 10 private universities.

Unfortunately, A was extremely busy with academics and extracurricular activities, and did not have much time for job hunting. Despite it all, he submitted 50 entry sheets, passed the SPI test, and then qualified for the first round of interviews for 30 companies. He then moved on to a series of interviews that dominated his life and took him out of classes. In the end, he had two job offers, but this was also because he aimed for mid-tier and SME companies. To someone not familiar with the Japanese job-hunting system, this may seem absurd. However, applying to 50 companies and missing class for several months to secure single digit job offers is common in Japan.

### **Market for Job Hunting Support Services**

Due to extreme demand, there is a market for job-hunting support services. There are cram schools that have mock interviews and courses on the SPI. There also is a range of online sites catering towards new hires. Social media has become popular among students to exchange information and learn about companies.

Some sites are listed below.

“MYNAVI” <http://job.mynavi.jp/>

This web site not only specialized in new graduate job opportunities, but also on international, nursing, and medical students.

“NIKKEI SYUUSYOKU NAVI” <https://job.nikkei.co.jp/2016/top/>

In addition to information for job hunters, this web site introduces internships in newspaper format.

“MINNANO SYUSYOKUKATSUDOU NIKKI” <http://www.nikki.ne.jp/>

This web site includes SNS functions. Job seekers can exchange information about job hunting.

### **Options for so-called International Students in Japan**

Nowadays, many Japanese companies wish to hire students with language abilities to keep pace with globalization. This makes *kikokushijyo*, otherwise known as returnees, very popular as they are expected to be bilingual and bicultural to a certain degree. Such returnees have special exams for college and can also apply to jobs outside traditional job-hunting cycle through bilingual career forums. However, outside those forums, should one not apply to companies as a new graduate, employment at a traditional Japanese company will not come easily.

For the same reason that companies want returnees, they also seek to hire foreigners. Panasonic has been known to hire foreigners in September even when the typical Japanese year begins in April. Companies such as Rakuten and Fast Retailing have also made English their official corporate language.

### **Implications for Studying Abroad**

Though the Japanese government is promoting studying abroad and revising the English curriculum, challenges remain for Japanese students interested in studying abroad. Students focused on the domestic Japanese job market may be less prone to study abroad for fear of missing out on opportunities.

Furthermore, while English is valued, it is not the competitive edge necessary for success in getting a job. Obviously, foreign companies such as Goldman Sachs or P&G require a certain degree of English. However, factors such as adaptability and personality tend to play larger factors in hiring. Unless one is near native in English, or able to draft reports or give presentations in English, having English abilities may not lead to a guaranteed job offer. For companies that have translation needs, a translation department is created in-house.

Additionally, the life-long employment system tends to provide incentives based on age and years of service. The most bilingual person may not be the one sent on a 2 year assignment to New York, and the Director that spent 5 years in Canada may not hold a future position that requires any knowledge of English or the Canadian market. As positions in Japanese companies are in flux with individuals rotating every few years, and as employees are required to serve as generalists, it is rare to have individuals hired and stationed for specific positions that require a certain skillset and years of experience. Of course, this is not considering individuals in the law, medical, and extremely technical fields. In such a working environment, few will have the time and resources to study English for pleasure without an immediate reward waiting for them in a professional setting.

### **Positive Changes on the Horizon**

A March Nikkei article noted that many Japanese companies are stepping up global recruitment efforts and that 40% of polled companies planned to bolster international hires by 2016. Companies such as Softbank and IBM are offering Japan specific interview and orientation dates; catering to the needs of Japanese students based outside of Japan. With a weak yen and a great need for global talent, there is hope that such trends will continue and slowly influence Japan's long unchanged job hunting system and process.

### **Niche Areas to Consider**

There are still opportunities in niche areas of the market. Short-term intensive English programs that provide accommodations and volunteer/internship opportunities and specialized programs that allow one to gain credentials that can be used in Japan (such as a CPA) show potential despite lower study abroad numbers.

Those interested in the Japanese market should first have an attractive short-term program offering for potential Japanese students. Marketing materials should be in professional Japanese, and there should be a dedicated contact person that can answer questions in Japanese from parents and agents alike in Japan.

The Japanese market is very saturated and in order for new schools to gain recognition, much time and resources need to be invested into promotion and in building relationships with agents that may be able to recommend schools to potential students.